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MEMORANDUM FOR: O - Mr. Henderson
Via: A - Mr. Carpenter
Subject: Fiscal Year 1957 Budgetary Requirements

This statement is submitted in response to your memorandum dated May 18, 1955, and transmits the Intelligence area's Preliminary Budget Estimates for Fiscal Year 1957.

The dimensions of the foreign relations of the United States have expanded immeasurably, with no remotely corresponding growth in the one Department uniquely charged with the responsibility for conducting foreign relations. The Department is, moreover, not relieved of its burden because parts of the total foreign affairs job are handled by specialists in other governmental organizations; it is still, inescapably, the heart of the foreign affairs body and, as such, it cannot abdicate its responsibility. Shrewd observers have pointed out that the Department of State, in fulfilling its key and central role in the conduct of foreign relations, must contribute to the work of other agencies which also play an important role in developing foreign policy. Thus, the Department must work in continuous and close support, and give of its time and resources, to the planning and coordinating staffs of the National Security Council, the Defense Department, the Armed Services, the agencies such as Commerce, Treasury, and FOA, with which it shares responsibility for foreign economic operations, and the US information program.

The Department's

DEPT OF STATE review(s) completed.

The Department's intelligence arm shares in the responsibilities that go along with the Department's central role in the conduct of U. S. foreign relations. Like the Department as a whole, it needs a stronger budgetary base if it is to discharge the responsibilities that have increasingly, and properly, been laid upon it.

As the national intelligence structure has evolved and matured over ten years, the political intelligence function of the Department of State has been elaborated and developed to cope with the wholly new set of requirements and inter-agency operating relationships that have grown up over the same period. Under NSC directive pursuant to the National Security Act, the pattern of this collaborative effort is carefully prescribed. Thus, R has not only to meet the ramified intelligence needs of the Department, but it is obliged, on the Department's behalf, to provide a wide variety of intelligence for the Central Intelligence Agency, the U. S. Information Agency, the Foreign Operations Agency, the several services and units of the Department of Defense. Even more importantly, the Department must, in coordination with others, meet the intelligence requirements of the governmental coordinating mechanisms, in particular the NSC, the Planning Board, OCB, and other inter-agency bodies, which have developed to handle the now giant problems of foreign affairs. Up to half of R's Departmental personnel resources go to meeting needs identified by these priority external demands.

The Department's intelligence arm continues to meet the ramified needs of the rest of the Department. The Secretary of State and his principal officers are briefed daily. To assist the regional desks, R supplies reports on problems in all corners of the globe. It prepares estimates for the policy planners.

The Department has, over a period of time, assembled intelligence skills and materials. The Department must now budget for steadily increasing intelligence activities that necessarily devolve upon it as the key agency in the field of foreign affairs. R foresees no lessening in the

intelligence

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intelligence demands that will be made upon it. Indeed, it requires little prescience to see that, with the passage of time, there will be needed for many more areas and subjects than ever before all the information this country can acquire, carefully assembled and rigorously evaluated.

The proposed expansion of R's resources to 403 positions, as laid out in the attached budget document, would still leave a trimmed-down organization staffed at only three-fourths the post-Korea level, but one that could more nearly fulfill this Government's inescapable and growing demands for accurate and complete intelligence.

W. Park Armstrong, Jr.

Attachment

PRELIMINARY BUDGET ESTIMATES

Salaries and Expenses, Department of State, 1957

Special Assistant - Intelligence - Domestic

In order to fulfill its commitments to the Department and to the national intelligence community, the Department's Intelligence area will require a total of 405 positions at an annual rate of \$2,504,050:

	<u>Permanent Salary Expense</u>	<u>No. of Positions</u>	<u>Annual Rate</u>
<u>Fiscal Year 1956 Base</u>		[302]	\$ 1,912,015
<u>Increases:</u>			
1. Special Intelligence	28		169,445
2. Intelligence on the Orbit and its Integration	18		107,798
3. Intelligence on Underdeveloped Areas	14		93,233
4. Public Opinion Analysis	6		37,990
5. Watch Function	6		40,392
6. United Nations and International Conference Biographic Support	5		24,757
7. Private Research	3		19,268
8. Certain Interdepartmental Collection Activities	8		51,047
9. Security	15		48,105
Total Increases	103		592,035
<u>Fiscal Year 1957 Requirements</u>		405	2,504,050

Because of the security classification of several of the increases requested, the narrative explanation which follows is necessarily generalized. It is therefore hoped that there will be an opportunity for oral justification.

1. Special Intelligence

Twenty-eight additional positions at an annual rate of \$169,445 are required for special intelligence purposes.

2. Intelligence on the Orbit and its Integration

More intensified intelligence production on the pattern of developments in the Soviet Orbit is required, especially on the progress of integration of the Communist states into a tightly unified entity, and on the techniques, strengths and weaknesses of Russian domination. This effort will require the addition of ten professional and three clerical positions in the Divisions of Research for the USSR and for the Far East, and five positions in the Division of Acquisition and Distribution to guide the collection processes, for a total of 18 positions at \$107,798.

It is apparent also that, with the possible withdrawal of Soviet armed forces from satellite countries subsequent to the Austrian peace treaty the attitudes of the peoples and forms of control will change. An increased program of research on the integration of the satellites and Red China would provide, initially, greatly improved guidance to intelligence collectors. The problem of production, however, as is well known regarding the Orbit, requires highly intensified scrutiny and analysis to make up for the inevitable scarcity of materials. The closest study of papers, broadcasts and books, even of a highly technical nature, is required.

3. Intelligence on Underdeveloped Areas

The scope, crucial significance, and cost of present and prospective United States programs in underdeveloped areas underscores the need for more knowledge on how economic changes are related to political stability, on the process of economic growth, on how foreign resources can most effectively be applied in local economies, on means

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of mobilizing local resources for economic growth, on the achievements of public and private enterprise, and on local political and social forces and their susceptibility to United States and other influences. This will require a total of 10 professional and 4 clerical positions for appropriate divisions of the Office of Intelligence Research at an annual rate of \$93,233.

No matter how the East-West relationship develops, we may be sure that the areas which contain the greatest part of the world's population and much of its resources will continue in an unsettled state, and one that is potentially dangerous from the point of view of United States interests. We cannot be certain that there will be another Korea or Indochina, but we can indeed be certain that there will be more Guatemalas, Kenyas, and Moroccos. The substantial amount of work already on the underdeveloped areas has only revealed how very much more research is required for completely sound long-term policy and action on these problems.

4. Public Opinion Analysis

It is essential that public opinion data as procured by polls abroad be tested, evaluated and interpreted in the light of local and international conditions since knowledge of the trends and changes revealed are of substantial interest to policy makers both in the Department and elsewhere in Government. The Department, together with USIA and other specialized psychological agencies, has a key role to play which requires a total of five analyst and one clerical position at an annual rate of \$37,990 to intelligence research divisions which deal with countries outside the Soviet Orbit.

5. Watch Function

New and developing inter-agency watch arrangements requiring Departmental participation necessitate the addition of three intelligence analyst, two intelligence collection and one clerical position at an annual rate, for the six positions, of \$40,392.

24 hr.

6. United

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6. United Nations and International Conference Biographic Support

As the arena in which representatives of the United States meet those of foreign governments in large numbers, the United Nations and international conferences present unusual problems in terms of the collection and utilization of biographic intelligence. While the Intelligence area of the Department has always provided whatever data it could to the United States mission to the United Nations, limited resources have not always permitted proper emphasis on this vital function, and the addition of four professional and one clerical position to the Division of Biographic Intelligence at an annual rate of \$24,757 is, therefore, requested.

7. Private Research

The research product of private research scholars can be a useful supplement to Departmental work. While the Department's Intelligence area provides leadership in a joint external research effort with two other agencies, its contribution to that effort is now a single position and its potential for fostering research of particular importance to the Department is correspondingly limited. The addition of two professional and one clerical position at an annual rate of \$19,268 would enable the Department to obtain and stimulate the production of much useful social science research from private sources.

8. Certain Interdepartmental Collection Activities

Six professional and two clerical positions at an annual rate of \$51,047 are required in support of Departmental participation in two highly classified inter-departmental intelligence collection activities. Each of these activities is specialized in nature and full Departmental participation in each is essential.

9. Security

The recently revised Departmental Regulations on security have made a substantial increase in the clerical workload of the Department's Intelligence area. This is

primarily

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primarily due to the comparatively large volume of highly classified documents which must be processed and controlled. This additional workload necessitates an increase of three clerical positions in the Office of the Special Assistant, one clerical position each in the Office of the Director and each division of the Office of Intelligence Research and the Division of Biographic Information, and an increase of four positions in the Division of Acquisition and Distribution. These fifteen positions would involve an annual rate of \$48,105.

General Comment

Through its Intelligence organization the Department meets the intelligence-research requirements of many agencies, thus economically concentrating in one place an effort which would otherwise have to be repeatedly and wastefully duplicated. These agencies are, of course, the ones chiefly concerned with United States activities abroad, in furnishing economic support, military development, political aid, and psychological influence. These programs have increased steadily in recent years, and so have the demands upon R of other intelligence agencies, FOA, (ICA), USIA, Defense, and OCB at the same time, the Department itself has incurred additional responsibilities.

To meet requirements of this sort, the Department's intelligence-research organization built up a unique facility for integrated political-economic research, and is the only place in the United States where such research can be conducted on a fairly large scale, on a global basis, and equipped for continuing projects. The accumulated experience and files of the organization constitute a capital investment out of which new and additional research can economically spring.

In the face of the increased scope and variety of demand R has sustained successive staff reductions which preclude adequate exploitation of these resources. There is no reason to believe that world conditions will change the trend towards a heavier burden of responsibility. Whether or not tensions relax in the immediate future, certain international problems which underlie this request give every indication of continuation or intensification and so will impinge directly upon the intelligence resources of the Department.

B.B. Form 20a

FY 1957 Budget Review Estimates

Agency: Department of State Category: Executive direction and policy formulation.

	<u>1954</u>	<u>Actual</u>	<u>1955</u>	<u>Latest</u>	<u>1956</u>	<u>Budget</u>	
	<u>No.</u>	<u>Amount</u>	<u>No.</u>	<u>Amount</u>	<u>No.</u>	<u>Document and</u>	<u>Latest Estimate</u>
						<u>Estimate</u>	<u>1957 Estimate</u>
Special Assistant for Intelligence							
Permanent Salary Expense	292	\$1,849,740	292	\$1,849,740	302	\$1,912,015	406 \$2,504,050
Misc. Salary & Non-Salary Items		82,424		82,555		82,555	82,555
Total Change from 1956						103 \$ 592,035	